

Nursing Facility Provider Assessment

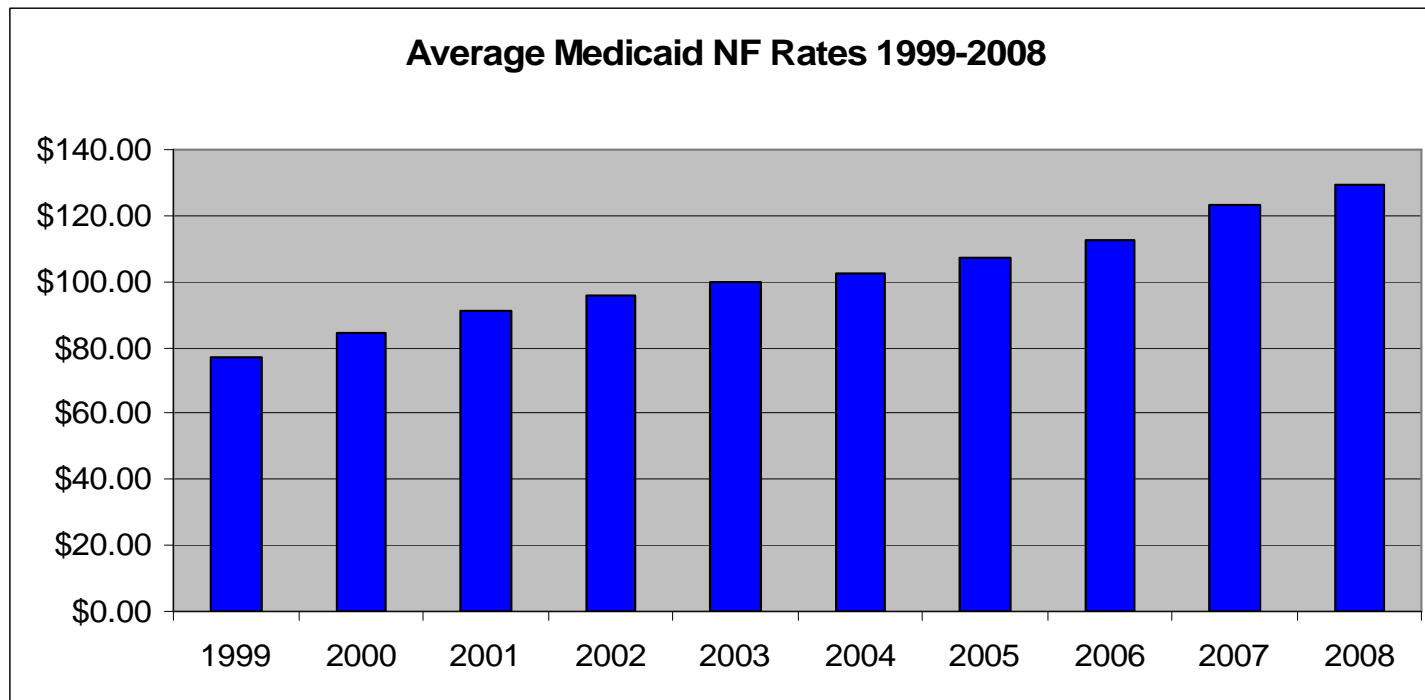
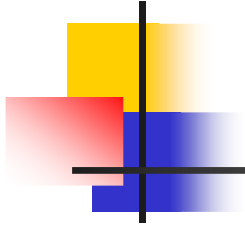
Report to KHPA Board by
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Medicaid Nursing Facility Reimbursement Parameters

- Facility Specific Per Diem Rates
 - Cost report data/resident days
- Prospective Base Year System
 - Base period data inflated forward
- Limits
 - Cost centers, owner's compensation, private rates
- Case Mix Adjustments
 - Direct Health Care Limit, Quarterly Adjustments

Medicaid Nursing Facility Rate History



- Average Rate Increase of 6.04%



Medicaid Nursing Facility FY 08 Statistics

As of July 1, 2007

- Average Medicaid Rate : \$129.00
- Average Rate Increase: 4.61%
- Statewide Cost Coverage: 97%
- Average Private Rate: \$132.64
- 81 providers held to private pay rates
- SFY 08 Budget: \$352.5 million



Medicaid Nursing Facility FY 08 Statistics

- Providers as of July 1, 2007
 - 307 free standing nursing homes
 - 49 Hospital-based long-term care units
 - 337 providers enrolled in Medicaid
- Occupancy
 - 85% total occupancy
 - 56% Medicaid
 - Monthly average Medicaid caseload: 10,508



Provider Tax Overview

Federal Parameters

- Broad Based
- Uniform
- No Hold Harmless
- Available Waivers of Broad Based and Uniformity provisions
- Taxable Entities
- Tax Calculation Options



Provider Tax Overview

Broad Based Requirement

42 CFR 433.68(c)(1)

- All members of a taxable class are subject to tax.
- Tax is applied uniformly.



Provider Tax Overview

Uniform Requirement

42 CFR 433.68(d):

- Tax can exclude Medicare or Medicaid payments (in whole or part), or both.
- Tax considered uniform if it meets one of the following criteria:

Provider Tax Overview

Uniform Requirement (cont.)

Tax is licensing fee imposed on a class

- That is the same for every provider in class, or
- Based on the number of beds

Tax is imposed on provider revenue or receipts with respect to a class of items or services

Other tax as long as it is the same for each provider of such items or services in class



Provider Tax Overview

No Hold Harmless

- A taxpayer will consider to be held harmless under any of the following:
 - The state imposing the tax provides directly or indirectly for a non-Medicaid payment to the providers and the amount is positively correlated to the tax

Provider Tax Overview

No Hold Harmless (cont.)

- All or any portion of the Medicaid payment to the taxpayer varies based only on the amount of tax paid
- The state imposing the tax provided directly or indirectly for any payment, offset, or waiver that guarantees to hold taxpayers harmless for all or a portion of the tax



Provider Tax Overview

No Hold Harmless (Cont.)

- Indirect Guarantee
 - Tax less than 5.5% of revenue or
 - 75% or less of tax payers receive less than 75% of cost back



Provider Tax Overview

Waiver Provisions

- Broad Based Waiver
 - Plan must be generally redistributive
 - Must pass a statistical test that evaluates the relationship of the proposed tax to one that is broad based



Provider Tax Overview

Waiver Provisions (Cont.)

- Uniformity Waiver
 - Plan must be generally redistributive
 - Must pass a statistical test that evaluates the relationship of the proposed tax to one that is broad based and uniform



Provider Tax Overview

Taxable Entities

42 CFR 433.56

- 19 classes of health care services and providers are defined as taxable entities
- Includes nursing facilities and intermediate care facilities for the mentally retarded



Provider Tax Overview

Tax Calculation Options

- Fixed fee for licensed providers in a class
- Fee per licensed bed
- Fee imposed as a percentage of revenue or receipts
- Other fee, such as admission tax, if tax is same for each provider of such items or services in the class



Provider Tax Overview

Current National Outlook

- Allowable tax amount for the indirect guarantee decreased from 6% to 5.5% effective 1/1/08 through 9/30/11
- President's 2007 budget originally called for a reduction to 3%

Provider Tax Overview

Current National Outlook (Cont.)

- Health Management Associates (HMA) figures from 2006 and 2007 show:
 - 20 states taxing hospitals
 - 15 states taxing MCOs
 - 29 states taxing ICF/MR-DD
 - 33 states taxing Nursing Homes
 - 4 states taxing pharmacies
 - 2 states taxing Residential Care



Kansas Provider Tax Previous Proposals

- Three separate proposals introduced since 2003 legislative session
 - 2003 House Bill 2470 carried over to 2004
 - 2005 House Bill 2538 carried over to 2006
 - 2007 Senate Bill 352
- Waiver provisions included, a rate differential based on facility size, and exemptions for state facilities, CCRC's, & LTCU's
- Most proposals have excluded Medicare
- Philosophical differences between the trade associations have tabled each bill



Kansas Provider Tax

Potential Benefits Risks

- Impact on State Budget
 - Potential federal match gain (\$85 million)
- Impact on Long-Term Care Market
 - Inflationary pressure on private pay rates
- Impact on Provider System
 - Nursing Facilities, potential rate increases
 - HCBS, possible additional program funding



Kansas Provider Tax

Principles and Issues to Consider

- Impact on Quality of Care
- Impact on Markets
- Fronting State Dollars
- Future Federal Regulatory Changes
- Philosophical Differences between Provider Groups